

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Copper Country Community Mental Health	County Houghton
Audit Date 9/30/05	Opinion Date 12/14/05	Date Accountant Report Submitted to State: 3/3/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 102 W. Washington St., Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature <i>Rebecca Hillb CPA</i>		Date 3/3/06	

**COPPER COUNTRY COMMUNITY MENTAL
HEALTH SERVICES BOARD**

**FINANCIAL STATEMENTS AS OF
September 30, 2005**

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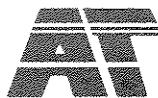
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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Copper Country Community Mental Health
Services Board
Houghton, Michigan 49931

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2005 which collectively comprise the Board's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Copper Country Community Mental Health Services Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of September 30, 2005, and respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2005 on our consideration of Copper Country Community Mental Health Services Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on pages 54 and 55.

Members of the Board
Copper Country Community Mental Health
Services Board
Houghton, Michigan 49931

The Management's Discussion and Analysis and the other required supplemental information on pages 6-11 and 33-35, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit for the purpose of forming an opinion on basic financial statements taken as a whole. The other financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Copper Country Community Mental Health Services Board. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 14, 2005

Copper Country Community Mental Health Services Board

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Copper Country Community Mental Health Services Board (the Board's) financial performance provides an overview of the Board's financial activities for the year ended September 30, 2005. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for the Board as a whole were reported at \$7,038,008 at September 30, 2005 and \$6,530,590 at September 30, 2004. Net assets are comprised of 100% governmental activities.
- During the year, the Board's expenses were \$14,344,406, while revenues from all sources totaled \$14,851,824, resulting in an increase in net assets of \$507,418.
- The general fund reported an increase in fund balance of \$516,483. Revenues were \$233,495 below budgeted amount of \$14,263,453 and expenditures were \$749,978 below budgeted amount of \$14,263,453.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Board's operations in more detail than the government-wide statements by providing information of the Board's most significant funds.

Reporting Copper Country Community Mental Health Services Board as a Whole

Our analysis of Copper Country Community Mental Health Services Board as a whole begins on page 8. One of the most important questions asked about the Board's finances is "is the Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Board's *net assets* and changes in them. You can think of the Board's net assets – the difference between assets and liabilities – as one way to measure the Board's financial health, or *financial position*. Over time, *increases or decreases* in the Board's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Board's client base and the condition of the Board's capital assets, to assess the *overall financial health* of the Board.

Copper Country Community Mental Health Services Board

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Board into two kinds of activities:

- Government activities – All the Board's basic services are reported here including client services and general administration. Medicaid and Department of Community Health revenues and other state and federal grants fund most of these activities.
- Business-type activities- The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services.

Reporting Copper Country Community Mental Health Services Board's Most Significant Funds

Our analysis of Copper Country Community Mental Health Services Board's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the Board as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Board has established other funds to help it control and manage money for particular purposes. The Board's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the Board's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Board charges customers for the services it provides – whether to outside customers or to other units of the Board – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use internal service funds (the only component of the Board's proprietary funds) to report activities that provide supplies and services for the Board's other programs and activities – such as Copper Country Community Mental Health Services Board's Employee Benefit Fund, Equipment Fund, Building and Grounds Fund, and Employee Health Benefits Trust Fund.

Copper Country Community Mental Health Services Board

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Copper Country Community Mental Health Services Board as a Whole

Table 1 provides a summary of the Board's net assets at September 30, 2005 and 2004:

Table 1		
Net Assets		
	Governmental Activities	
	2005	2004
Current and restricted assets	\$6,871,940	\$7,218,763
Capital assets, net	3,025,200	3,110,904
Total Assets	9,897,140	10,329,667
Current liabilities	2,246,920	3,144,366
Noncurrent liabilities	612,212	654,711
Total Liabilities	2,859,132	3,799,077
Net Assets:		
Invested in capital assets, net of related debt	2,373,708	2,418,769
Unrestricted	4,664,300	4,111,821
Total Net Assets	\$7,038,008	\$6,530,590

Net assets of the Board's governmental activities stood at \$7,038,008. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$4,664,300.

The results of this year's operations for the Board as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2005 and 2004.

Table 2		
Changes in Net Assets		
	Governmental Activities	
	2005	2004
Revenues		
Program Revenues:		
Charges for services	\$1,733,806	\$1,731,731
Operating grants and contributions	10,680,901	11,567,768
General Revenues:		
State sources not restricted to specific program	2,289,513	2,310,726
Investment earnings	111,734	34,255
Miscellaneous	35,870	72,845
Total Revenues	14,851,824	15,717,325
Program Expenses:		
General government	13,951,096	14,825,371
Depreciation	393,310	380,769

Copper Country Community Mental Health Services Board

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities	
	2005	2004
Total Expenses	\$14,344,406	\$15,206,140
Increase (decrease) in net assets	507,418	511,185
Net assets, beginning	6,530,590	6,019,405
Net Assets, Ending	\$7,038,008	\$6,530,590

The Board's program revenues were \$12,414,707. The total cost of all programs and services was \$14,344,406, leaving an excess expense of \$1,929,699 to be funded with general revenues. The increase in net assets for the year was \$507,418, representing the excess of general revenues over the net cost of programs and services. This increase is positive as it indicates that the Board was successful in administering its planned programming within all available sources of revenue. Additionally, it allows the Board to increase its unrestricted net assets that may be retained for use in future periods, if necessary.

Table 3 presents the cost of each of the Board's activities – General Government and Depreciation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the Board's operation.

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
General Government	\$13,951,096	\$1,536,389
Depreciation	393,310	393,310
Totals	\$14,344,406	\$1,929,699

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD'S FUNDS

As Copper Country Community Mental Health Services Board completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$5,596,044, an increase of \$526,492 from the beginning of the year. The increase was mainly the result of the Board's operating departments achieving cost reductions and program efficiencies.

General Fund Budgetary Highlights

During the year, the Board revised the budget. The primary purpose of the revision was to reallocate budgeted expenditures among specific program areas to more adequately fund the array of services based upon the demands and needs of the Board's consumers.

With these adjustments, actual charges to expenditures were \$749,978 lower than the final amended budget. Conversely, revenues were \$233,495 lower than the final budget projection.

Copper Country Community Mental Health Services Board

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005, the Board had \$3,025,200 invested in a variety of capital assets including buildings, vehicles and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End

	Governmental Activities	
	2005	2004
Land and construction in progress	\$408,635	\$404,835
Buildings	4,749,604	4,749,604
Equipment and furnishings	2,333,855	2,431,580
Accumulated depreciation	(4,466,894)	(4,475,115)
Total Net Assets	\$3,025,200	\$3,110,904

See Note E – Capital Assets for further details on capital assets.

Debt

At year-end, the Board had \$651,492 in notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2005	2004
Current maturities	\$39,280	\$37,424
Long-term maturities	612,212	654,711
Total Debt	\$651,492	\$692,135

There were no new additions to debt for this year.

See Note I - Commitments for further details on long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Copper Country Community Mental Health Services Board's appointed officials consider many factors when preparing their financial plan and setting the fiscal year 2005 budget. The Board is dependent upon the federal and state governments, primarily through the Medicaid program and direct appropriations, for the vast majority of its annual funding. This funding has been significantly constrained and influenced by economic conditions that have precipitated declining revenues at both the national and state levels. Compounding this challenge has been the added administrative, programming and cost burdens imposed by expanded Medicaid rules and conditions for funding, plus the cost of compliance with expanded regulatory demands, primarily at the federal level. An additional factor, not any less significant, is the rising cost of supplies, services and labor, particularly the escalating cost of providing reasonable and adequate health insurance for the Board's employees.

Copper Country Community Mental Health Services Board

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

With these challenges and factors to manage, the Board has been able to concentrate its resources to achieve cost control and efficiency while continuing to meet the needs of its consumers, retain its highly-skilled and experienced employee base, and ensure current and future liquidity and long-term solvency through careful and prudent cash, debt and investment management. The Board maintains a strong position of net assets that helps ensure a continuity of services and that provides a critical layer of financial security in the event of significant variances, temporary deficits, or interruptions in funding.

CONTACTING COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our clients, customers, and investors and creditors with a general overview of Copper Country Community Mental Health Services Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board's Executive Director at Copper Country Community Mental Health Services Board, 901 West Memorial Drive, Houghton, MI 49931.

Copper Country Community Mental Health Services Board

STATEMENT OF NET ASSETS

September 30, 2005

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,010,931
Receivables, net:	
Client fees	68,923
Other	228,886
Grants	9,463
Due from State of Michigan	47,752
Due from Other Local Units	-
Inventory	7,346
Prepaid expenses and other assets	34,198
Total current assets	<u>6,407,499</u>
Restricted assets	<u>464,441</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	408,635
Other capital assets	7,083,459
Accumulated depreciation	(4,466,894)
Total noncurrent assets	<u>3,025,200</u>
TOTAL ASSETS	<u>9,897,140</u>
LIABILITIES	
Current liabilities:	
Accounts payable	632,156
Due to State of Michigan	15,087
Advance State of Michigan	-
Accrued payroll and related	639,116
Accrued vacation and vested sick leave	433,717
Claims payable	479,864
Deferred revenue	7,700
Current maturities on debt	39,280
Total current liabilities	<u>2,246,920</u>
Noncurrent liabilities:	
Notes payable	612,212
Total noncurrent liabilities	<u>612,212</u>
TOTAL LIABILITIES	<u>2,859,132</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,373,708
Unrestricted	<u>4,664,300</u>
TOTAL NET ASSETS	<u>\$ 7,038,008</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

STATEMENT OF ACTIVITIES

For the year ended September 30, 2005

Function/Program	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 13,951,096	\$ 1,733,806	\$ 10,680,901	\$ -	\$ (1,536,389)
Depreciation	393,310	-	-	-	(393,310)
Total Governmental Activities	\$ 14,344,406	\$ 1,733,806	\$ 10,680,901	\$ -	(1,929,699)
General revenues:					
State sources not restricted to specific program					2,289,513
Investment earnings					111,734
Miscellaneous					35,870
Total general revenues and transfers					2,437,117
Changes in net assets					507,418
Net assets, beginning of year					6,530,590
NET ASSETS, END OF YEAR					\$ 7,038,008

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

GOVERNMENTAL FUNDS
BALANCE SHEET

September 30, 2005

	General Fund	Institute Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,064,662	\$ 391,641	\$ 5,456,303
Accounts receivable:			
Client fees	68,923	-	68,923
Other	80,350	148,506	228,856
Federal grants receivable	9,463	-	9,463
Due from State of Michigan	946	46,806	47,752
Due from other funds	2,192,267	-	2,192,267
Inventory	7,346	-	7,346
Prepaid expenditures	28,923	2,853	31,776
Deposits	150	-	150
TOTAL ASSETS	\$ 7,453,030	\$ 589,806	\$ 8,042,836
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ 477,661	\$ 60,756	\$ 538,417
Due to State of Michigan	15,087	-	15,087
Due to other funds	803,333	459,754	1,263,087
Accrued payroll and related	622,501	-	622,501
Deferred revenue	7,250	450	7,700
TOTAL LIABILITIES	1,925,832	520,960	2,446,792
FUND BALANCE:			
Unreserved	5,527,198	68,846	5,596,044
TOTAL FUND BALANCE	5,527,198	68,846	5,596,044
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,453,030	\$ 589,806	\$ 8,042,836

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2005

Total Fund Balances for Governmental Funds	\$ 5,596,044
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes capital assets of internal service funds).

	Cost of capital assets	7,492,094	
	Accumulated depreciation	<u>(4,466,894)</u>	
			3,025,200

Internal service funds are used by management to charge the cost of building rental, equipment usage and employee benefits to the General Fund. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.

	Current assets	1,360,263	
	Restricted assets	464,441	
	Current liabilities	(2,795,728)	
	Long-term liabilities	<u>(612,212)</u>	
			(1,583,236)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

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NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 7,038,008

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2005

	General Fund	Institute Fund	Total Governmental Funds
REVENUES:			
Federal sources	\$ 41,183	\$ 57,660	\$ 98,843
State sources	12,578,725	43,485	12,622,210
Local sources	255,604	-	255,604
Charges for services	1,655,979	700,738	2,356,717
Contributions from private sources	96,559	-	96,559
Investment income	102,476	9,258	111,734
Other revenue	25,145	10,725	35,870
Less deductions from revenue:			
Contractual adjustments	(622,911)	-	(622,911)
Public Act 423 of 1980	(102,802)	-	(102,802)
TOTAL REVENUES	<u>14,029,958</u>	<u>821,866</u>	<u>14,851,824</u>
EXPENDITURES:			
Board administration	1,409,124	-	1,409,124
Mentally ill - children	974,140	-	974,140
Mentally ill - adults	4,984,383	-	4,984,383
Developmental disabilities	5,999,973	-	5,999,973
Prevention services	145,855	-	145,855
Other services	-	811,857	811,857
TOTAL EXPENDITURES	<u>13,513,475</u>	<u>811,857</u>	<u>14,325,332</u>
CHANGE IN FUND BALANCE	516,483	10,009	526,492
Fund balance, beginning of year	<u>5,010,715</u>	<u>58,837</u>	<u>5,069,552</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,527,198</u>	<u>\$ 68,846</u>	<u>\$ 5,596,044</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	526,492
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.
Includes Internal Service Funds depreciation expense of \$310,514

Depreciation expense	393,310	
Capital outlays	<u>101,768</u>	(291,542)

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets.	(845)
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Internal service funds are used by management to charge the cost of building rental, equipment purchase and maintenance and employee benefits to the General Fund. The net revenue (expense) of the internal service funds is reported with governmental activities, net of depreciation expense.

Change in net assets	(37,201)	
Depreciation expense	<u>310,514</u>	273,313

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>507,418</u>
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The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

September 30, 2005

	Internal Service Funds
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 554,628
Accounts receivable	30
Due from other funds	1,298,538
Other assets	2,272
Total current assets	<u>1,855,468</u>
Restricted assets:	
Cash and cash equivalents	<u>464,441</u>
Capital assets:	
Land	404,085
Construction in progress	4,550
Vehicles	915,019
Buildings and building improvements	4,749,604
Accumulated depreciation	<u>(3,188,311)</u>
Total noncurrent assets	<u>2,884,947</u>
TOTAL ASSETS	<u>5,204,856</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	93,739
Due to other funds	2,227,718
Accrued vacation and vested sick leave	433,717
Due to employees	16,615
Claims payable	479,864
Current maturities of long-term debt	39,280
Total current liabilities	<u>3,290,933</u>
Long-term liabilities:	
Notes payable	<u>612,212</u>
Total long-term liabilities	<u>612,212</u>
TOTAL LIABILITIES	<u>3,903,145</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,233,455
Unrestricted	<u>(931,744)</u>
TOTAL NET ASSETS	<u>\$ 1,301,711</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended September 30, 2005

	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 2,745,243
Contributions	2,951,413
Interest income	28,619
Reimbursements	64,561
TOTAL OPERATING REVENUES	<u>5,789,836</u>
OPERATING EXPENSES:	
Personnel services	4,906,781
Other services and charges	576,945
Depreciation	310,514
Interest expense	32,797
TOTAL OPERATING EXPENSES	<u>5,827,037</u>
OPERATING INCOME (LOSS)	<u>(37,201)</u>
NONOPERATING REVENUES:	
Gain on sale of assets	<u>-</u>
CHANGE IN NET ASSETS	(37,201)
NET ASSETS, BEGINNING OF YEAR	<u>1,338,912</u>
NET ASSETS, END OF YEAR	<u>\$ 1,301,711</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended September 30, 2005

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 5,505,584
Interest received	28,620
Other operating expenses	(5,949,688)
Interest paid	(32,797)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(448,281)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net cash provided (used) to finance accrued vacation and vested sick leave	<u>35,493</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>35,493</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(206,683)
Proceeds on sale of assets	-
Proceeds on notes	-
Principle payments on debt	<u>(40,643)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(247,326)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
(Increase) in restricted assets	<u>(7,258)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(7,258)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(667,372)
Cash and cash equivalents, beginning of year	<u>1,222,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 554,628</u>
RECONCILIATION OF OPERATING (GAIN) LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net operating income (loss)	<u>\$ (37,201)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	310,514
Changes in assets and liabilities:	
Increase (decrease) in accounts receivable	1,907
Increase (decrease) in due from other funds	(257,540)
Increase (decrease) in prepaid expenses	(2,272)
Increase (decrease) in due to other funds	(224,157)
Increase (decrease) in due to employees	(10,043)
Increase (decrease) in accounts payable	(226,106)
Increase (decrease) in deferred revenue	-
Increase (decrease) in claims payable	(3,383)
TOTAL ADJUSTMENTS	<u>(411,080)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>\$ (448,281)</u>

The accompanying notes to financial statements are an integral part of this statement.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Copper Country Community Mental Health Services Board (the Board) is an autonomous entity, separate from the county governments which it services and accordingly consists of a separate set of self-balancing funds and accounts. The Board is, for financial reporting purposes, an Authority under the Michigan Mental Health Code (P.A. 290 of 1995). The accounting policies of the Board conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Board as a whole. They include all funds of the Board. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services. Equity is classified as net assets and displayed in three components – invested in capital assets, net of related debt, restricted, and unrestricted.

Fund Financial Statements:

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories; governmental and proprietary categories. An emphasis is placed on major funds within the governmental category. The General Fund is always considered a major fund and the remaining funds of the Board are considered major if the total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds. The Board reports the Institute Fund as a major governmental fund in accordance with the criteria. The funds of the Board are described below:

Governmental Funds

General Fund – General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Institute Fund is a special revenue fund type.

Proprietary Funds

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Board, on a cost-reimbursement basis. The Employee Benefit Fund, the Equipment Fund, the Building and Grounds Fund and the Employee Health Benefit Trust Fund are internal service type funds.

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified as net assets the same as in the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting – The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to October 1, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to October 1, the budget is legally enacted through the passage of a Board of Directors resolution.
- c. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Directors must approve any revisions that alter the total expenditures of any fund.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Directors.
- e. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Board because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpended appropriations lapse at the end of the fiscal year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents – For purposes of balance sheet classification and the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory – Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies.

Capital Assets – The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. With purchases made after October 1, 2002, the Board defines capital assets as assets with an initial, individual cost of more than \$5,000.

Depreciation on all exhaustible capital assets is reported as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles and equipment	2-10 years
Buildings	20-25 years
Building Improvements	5-15 years
Land Improvements	10-15 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

Accumulated Vacation and Vested Sick Leave – The Board's policies regarding compensated absences permits employees to accumulate earned but unused combined leave, annual leave and vested sick leave. The liability for these compensated absences is recorded in the government-wide and proprietary fund financial statements as it is incurred.

Long-Term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether it is reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The Board's long-term debt consists primarily of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as in the government-wide statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity – During the course of its operations, the Board has numerous transactions between funds to finance operations, to provide services and to service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2004, balances of interfund accounts receivable or payable have been recorded in the fund financial statements. Interfund activity is eliminated in the government-wide financial statements.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Revenues – In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet criteria of program revenues, such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources, and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Board's policy to use the restricted resources first.

Expenses/Expenditures – In the government-wide statements, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations. In the proprietary fund statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

NOTE B – DEPOSITS AND INVESTMENTS:

At year-end, the Board's cash and cash equivalents were reported in the basic financial statements in the following categories:

Cash and equivalents	\$6,010,931
Restricted assets	464,441
	<u>\$6,475,372</u>

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

Cash and cash equivalents can also be summarized into the following categories:

Deposits:	
Demand accounts	\$21,259
Government trust funds	6,450,413
Imprest cash	3,700
	<hr/>
	\$6,475,372

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Board's deposits may not be returned to it. State law does not require and the Board does not have a deposit policy for custodial credit risk. The carrying amounts of the Board's deposits with financial institutions was \$21,259 and the bank balance was \$60,442. Of the bank balance, \$60,442 was covered by federal depository insurance according to FDIC regulations.

Investments

As of September 30, 2005 the Board had investments with a fair value of \$6,450,413 held in government trust funds with maturities less than one year. The deposits in government trust funds are invested in the U.S. Federated Government Trust, a mutual fund that invests solely in U.S. Government securities (treasury bills, bonds, and notes). Therefore, the carrying amount of \$6,450,413 at September 30, 2005 was fully backed by the U.S. Government under regulations applicable to U.S. Government securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Board's investments. The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Board to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

The Board has no investment policy that would further limit its investment choices. The Board's investments are in accordance with statutory authority.

NOTE C – ESTIMATED AMOUNT DUE FROM (TO) MICHIGAN DEPARTMENT OF COMMUNITY HEALTH:

The estimated amount due (to) from the Michigan Department of Community Health represents the Board's cost settlement report of services and expenditures for the year ending September 30, 2005 in accordance with terms of the master contract. The reported costs related to such services are subject to review by the Department.

NOTE D – INTERFUND RECEIVABLES AND PAYABLES:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$2,192,267	Equipment Fund	\$131,767
		Building and Grounds Fund	1,600,746
		Institute Fund	459,754
Subtotal	<u>2,192,267</u>	Subtotal	<u>2,192,267</u>
Employee Benefit Fund	803,333	General Fund	803,333
Employee Health Benefits	495,205	Employee Benefit Fund	495,205
TOTAL	<u>\$3,490,805</u>	TOTAL	<u>\$3,490,805</u>

All internal balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE E – CAPITAL ASSETS:

Capital assets relating to the Board are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital asset activity for the year ended September 30, 2005 is as follows:

	<u>Balance 10/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/05</u>
Capital assets not being depreciated:				
Land	\$350,498	\$-	\$-	\$350,498
Construction in progress	750	3,800	-	4,550
Capital assets being depreciated:				
Land improvements	53,587	-	-	53,587
Buildings and building improvements	4,749,604	-	-	4,749,604
Vehicles	1,028,087	202,884	315,952	915,019
Furniture and fixtures	1,403,493	101,768	86,425	1,418,836
Total Capital Assets	<u>7,568,019</u>	<u>308,452</u>	<u>402,377</u>	<u>7,492,094</u>
Less accumulated depreciation	<u>(4,475,115)</u>	<u>(393,310)</u>	<u>(401,531)</u>	<u>(4,466,894)</u>
Capital Assets, net	<u>\$3,110,904</u>	<u>\$(84,858)</u>	<u>\$846</u>	<u>\$3,025,200</u>

NOTE E – CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
General government	\$82,796
Internal service funds charge to above activities	310,514
TOTAL	<u>\$393,310</u>

NOTE F – UNPAID CLAIMS:

The Board estimates its liability for unpaid health insurance claims on the basis of the date the claim was incurred and historical experience. As of September 30, 2005 the amount of unpaid claims in the accompanying financial statements is \$479,864.

NOTE G – INTERNAL SERVICE FUND ACCRUED LIABILITIES:

Regular full-time employees annually earn 40 hours of sick leave, 40 hours of combined leave, and varying amounts of annual leave based on years of service. Fifty percent of sick leave is vested for employees who are 55 years old or have ten years of service. Combined and annual leave is vested when earned and may be accumulated up to 120 hours and 240 hours respectively. The amount of vested leave as of September 30, 2005 is as follows:

Sick leave	\$15,146
Combined leave	100,078
Annual leave	318,493
TOTAL	<u>\$433,717</u>

NOTE H – DEFERRED COMPENSATION PLAN:

The Board offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Board's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Therefore, the Board has no liability for losses under the Plan. The Plan's assets are held in a custodial account for the exclusive benefit of Plan participants and their beneficiaries.

NOTE I – COMMENTS:

The following is a summary of transactions for commitments under lease agreements and loans for facilities for the year ended September 30, 2005:

	Balance 10/1/04	Additions	Deductions	Balance 9/30/05
Mortgage Agreements	<u>\$692,135</u>	<u>\$-</u>	<u>\$40,643</u>	<u>\$651,492</u>

Annual principal and interest requirements on commitments are as follows:

	Principal	Interest	Total
2006	\$39,187	\$28,604	\$67,791
2007	40,985	26,704	67,689
2008	42,818	24,691	67,509
2009	44,836	23,353	68,189
2010	46,897	20,695	67,592
2011-2015	266,722	70,173	336,895
2016-2018	170,047	10,734	180,781
Totals	<u>\$651,492</u>	<u>\$204,954</u>	<u>\$856,446</u>

In May 2003, the Board entered into a 15 year mortgage agreement for financing Atlantic House and Quincy House and consolidating the remaining outstanding mortgages for Lakeside House, Stanton House, and the L'Anse facility. The agreement, effective May 1, 2003 and ending May 1, 2018, requires a monthly payment of \$5,649 with an interest rate of 4.50% to be adjusted on May 1, 2008 and again on May 1, 2013 to reflect a rate of interest equal to the lender's five-year commercial rate then in effect.

NOTE J – DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Board has reported as deferred revenue the amount of \$7,700 of which \$4,456 represents Medicaid savings under managed care, and \$2,794 represents other miscellaneous reimbursements.

NOTE K – MANAGED CARE:

Through the Board's affiliation with NorthCare, the Board receives its state and federal share of Medicaid funds as a prepaid capitated payment based on a Per Eligible Per Month methodology for contractually identified and described covered services. The Board may retain up to 5% of the prepayment as Medicaid savings. However, the Board's Medicaid savings are combined as a region with NorthCare and the net savings are then treated as local funds and re-distributed to the Board. The Medicaid savings must be included in a formal reinvestment strategy that must be approved by the Michigan Department of Community Health and must be directed to the Medicaid population.

During the fiscal year 2005, there was \$35,494 of Medicaid savings available from the previous year and there was \$4,456 of Medicaid savings generated by the Board and recorded as deferred. This amount is subject to adjustment by NorthCare per the terms stated above.

NOTE L – PUBLIC ACT 423 - SPECIAL GRANT FUND:

Act 423, P.A. 1980 was passed to provide a mechanism for assisting community mental health boards in all areas of the state to provide more comparable levels of service regardless of local economic conditions by redistributing local revenues collected from client services. Under the plan, participating boards deposit into the State's Act 423 Special Grant Fund all fees received from clients and third party insurers (except Medicaid). The money is then redistributed to the participating boards using a formula based partly on local economic conditions.

NOTE M – DEFINED CONTRIBUTION RETIREMENT PLAN:

The Board provides retirement benefits for eligible employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are generally eligible to participate after 1,000 hours and one year of service, and the Board will continue to make contributions until they have terminated employment. The plan is a non-contributory plan with the Board paying an amount equal to 7% of the compensation of all non-bargaining eligible employees and 4% of the compensation of all bargaining eligible employees.

The contribution for each employee along with investment income allocated to the employee's account is immediately fully vested for all employees.

The Board's total eligible payroll in fiscal year 2005 was \$6,490,149. The Board's total contribution to the pension plan for fiscal year 2005 was \$346,365, which represents approximately 5% of the current year covered payroll.

NOTE N – PUBLIC ENTITY RISK POOL:

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in a public entity risk pool currently operating as a common risk management and insurance program. The Board pays an annual contribution to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

The Board continues to carry commercial insurance for Physician Malpractice and all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE O – OWNERSHIP:

The Board's membership is currently divided in proportion to each county's population, based on the 2000 U.S. Census, and is approximately 65.63%, 15.94%, 4.19% and 14.24% for Houghton, Baraga, Keweenaw and Ontonagon Counties, respectively. The 2005 financial statements include 100% of the recorded assets of the Board.

NOTE P – BUDGETARY NONCOMPLIANCE:

Excesses of expenditures over the Board's budgeted amounts in individual government funds are as follows:

Institute Fund:

Total Expenditures	<u>\$60,245</u>
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General Fund:

Mentally Ill Children	<u>\$55,581</u>
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REQUIRED SUPPLEMENTAL INFORMATION

Copper Country Community Mental Health Services Board

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended September 30, 2005
With comparative actual amounts for the year ended September 30, 2004

	2005				2004
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	GAAP Basis	Final Budget Positive (Negative)	GAAP Basis
REVENUES:					
Federal sources:					
Grant projects	\$ 53,210	\$ 53,210	\$ 41,183	\$ (12,027)	\$ 47,432
State sources:					
Department of Community Health:					
Formula funding	2,410,420	2,383,026	2,289,513	(93,513)	2,310,726
Medicaid - Developmental Disabilities	7,818,856	7,777,310	7,889,868	112,558	8,079,340
Medicaid - Mentally Ill	2,865,322	2,406,099	2,200,492	(205,607)	2,917,796
Public Act 423 of 1980	165,739	123,362	102,802	(20,560)	162,834
Title XX Replacement	7,228	7,228	7,228	-	7,228
Department of Education	69,498	85,807	88,822	3,015	85,538
Local sources:					
County appropriations	255,606	255,606	255,604	(2)	255,604
Charges for services:					
Client fees except Medicaid	1,201,426	1,317,256	1,298,827	(18,429)	1,286,120
Sales	75,442	45,057	34,260	(10,797)	50,182
Other	417,374	356,364	322,892	(33,472)	359,120
Contributions from private sources	73,686	95,534	96,559	1,025	73,685
Investment income	34,000	95,004	102,476	7,472	31,997
Other revenues	25,736	25,929	25,145	(784)	61,145
TOTAL REVENUES	15,473,543	15,026,792	14,755,671	(271,121)	15,728,747
Less deductions from revenues:					
Contractual adjustments	(558,071)	(639,977)	(622,911)	17,066	(670,960)
Public Act 423 of 1980	(165,739)	(123,362)	(102,802)	20,560	(162,834)
NET REVENUES	14,749,733	14,263,453	14,029,958	(233,495)	14,894,953
EXPENDITURES:					
Board administration	1,518,633	1,560,103	1,409,124	150,979	1,614,870
Mentally ill - children:					
Community inpatient	105,750	78,263	65,426	12,837	83,737
State inpatient	32,400	2,400	1,370	1,030	23,795
State managed residential	75,000	99,017	93,148	5,869	66,829
Outpatient services	880,421	727,700	801,703	(74,003)	836,051
Respite residential	24,755	11,179	12,493	(1,314)	17,459
TOTAL MENTALLY ILL - CHILDREN	1,118,326	918,559	974,140	(55,581)	1,027,871

Copper Country Community Mental Health Services Board

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the year ended September 30, 2005
With comparative actual amounts for the year ended September 30, 2004

	2005			2004
	Budgeted Amounts		Actual GAAP Basis	Actual GAAP Basis
	Original	Final		
Mentally ill - adults:				
Community inpatient	\$ 703,440	\$ 482,849	\$ 341,177	\$ 705,721
State inpatient	350,000	278,763	289,458	299,583
Community residential	827,795	733,023	711,532	730,251
State residential	166,834	143,566	118,711	117,828
Crisis residential	238,386	210,921	185,227	194,400
Partial day services	1,425,635	1,643,765	1,462,263	1,455,342
Outpatient services	1,228,354	1,242,444	1,130,623	1,186,072
Case management	839,506	787,153	745,392	765,944
TOTAL MENTALLY ILL - ADULTS	5,779,950	5,522,484	4,984,383	5,455,141
Developmental Disabilities:				
Community inpatient	20,000	-	-	-
State inpatient	28,158	-	-	8,101
Community residential	4,290,539	4,235,371	4,120,110	4,293,238
State managed residential	189,400	229,773	239,112	190,368
Partial day services	492,493	523,133	502,839	495,279
Outpatient services	254,409	250,129	252,629	272,602
Case management	895,380	859,071	885,283	887,056
TOTAL DEVELOPMENTAL DISABILITIES	6,170,379	6,097,477	5,999,973	6,146,644
Prevention Services:				
Direct service models	59,598	65,619	48,888	57,498
Other service models	102,847	99,211	96,967	93,206
TOTAL PREVENTION SERVICES	162,445	164,830	145,855	150,704
TOTAL EXPENDITURES	14,749,733	14,263,453	13,513,475	14,395,230
NET CHANGE IN FUND BALANCE	-	-	516,483	499,723
Fund balance, beginning of year	5,010,715	5,010,715	5,010,715	4,510,992
FUND BALANCE, END OF YEAR	\$ 5,010,715	\$ 5,010,715	\$ 5,527,198	\$ 5,010,715

Copper Country Community Mental Health Services Board

INSTITUTE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the year ended September 30, 2005

With comparative actual amounts for the year ended September 30, 2004

	2005				2004
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	GAAP	Final Budget	GAAP
			Basis	Positive	Basis
				(Negative)	
REVENUES:					
State sources:					
Department of Community Health:					
Grant projects	\$ 57,660	\$ 57,660	\$ 57,660	\$ -	\$ 57,660
Federal sources:					
Grant projects	43,485	43,485	43,485	-	43,485
Charges for services:					
Other	634,767	634,767	700,738	65,971	707,269
Investment income	4,000	4,000	9,258	5,258	2,258
Other revenues	11,700	11,700	10,725	(975)	11,700
TOTAL REVENUES	751,612	751,612	821,866	70,254	822,372
EXPENDITURES:					
Administration	4,000	4,000	15,476	(11,476)	7,863
Training:					
Copper Country Mental Health	54,395	54,395	55,157	(762)	66,692
Consultation/sales	4,884	4,884	4,940	(56)	5,599
TOTAL TRAINING	59,279	59,279	60,097	(818)	72,291
Prevention:					
Copper Country Mental Health	47,834	47,834	33,754	14,080	24,011
Grants	398,844	398,844	487,415	(88,571)	430,291
Infant mental health	191,140	191,140	182,081	9,059	209,045
Special projects	38,815	38,815	27,909	10,906	69,293
Consultation/sales	-	-	1,275	(1,275)	1,095
TOTAL PREVENTION	676,633	676,633	732,434	(55,801)	733,735
EAP	-	-	-	-	16
HSCB	-	-	-	-	-
Copper Country Initiatives	11,700	11,700	3,850	7,850	8,967
TOTAL EXPENDITURES	751,612	751,612	811,857	(60,245)	822,872
NET CHANGE IN FUND BALANCE	-	-	10,009	10,009	(500)
Fund balance, beginning of year	58,837	58,837	58,837	-	59,337
FUND BALANCE, END OF YEAR	\$ 58,837	\$ 58,837	\$ 68,846	\$ 10,009	\$ 58,837

OTHER FINANCIAL INFORMATION

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2005
With comparative amounts at September 30, 2004

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals	
					2005	2004
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 156,765	\$ 6,861	\$ 283,234	\$ 107,768	\$ 554,628	\$ 1,222,000
Accounts receivable	30	-	-	-	30	1,937
Due from other funds	803,333	-	-	495,205	1,298,538	1,040,998
Prepaid expenses	-	1,440	832	-	2,272	-
Total current assets	960,128	8,301	284,066	602,973	1,855,468	2,264,935
Restricted assets:						
Cash and cash equivalents	464,441	-	-	-	464,441	457,183
Capital assets:						
Land	-	-	350,498	-	350,498	350,498
Construction in progress	-	-	4,550	-	4,550	750
Land improvements	-	-	53,587	-	53,587	53,587
Vehicles	-	915,019	-	-	915,019	1,028,087
Buildings and building improvements	-	-	4,749,604	-	4,749,604	4,749,604
Accumulated depreciation	-	(612,162)	(2,576,149)	-	(3,188,311)	(3,193,748)
Total capital assets	-	302,857	2,582,090	-	2,884,947	2,988,778
TOTAL ASSETS	1,424,569	311,158	2,866,156	602,973	5,204,856	5,710,896

Copper Country Community MentalHealth Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2005
With comparative amounts at September 30, 2004

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals
	2005	2004	2005	2004	2005
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 68,312	\$ 2,802	\$ 22,625	\$ -	\$ 93,739
Due to other funds	495,205	131,767	1,600,746	-	2,227,718
Accrued vacation and vested sick leave	433,717	-	-	-	433,717
Due to employees	16,615	-	-	-	16,615
Notes payable - current maturities	-	-	39,280	-	39,280
Claims payable	-	-	-	479,864	479,864
	<u>1,013,849</u>	<u>134,569</u>	<u>1,662,651</u>	<u>479,864</u>	<u>3,290,933</u>
Total current liabilities					3,717,273
Long-term liabilities:					
Notes payable	-	-	612,212	-	612,212
	<u>-</u>	<u>-</u>	<u>612,212</u>	<u>-</u>	<u>612,212</u>
TOTAL LIABILITIES	<u>1,013,849</u>	<u>134,569</u>	<u>2,274,863</u>	<u>479,864</u>	<u>3,903,145</u>
					4,371,984
NET ASSETS:					
Invested in capital assets, net of related debt	-	302,857	1,930,598	-	2,233,455
Unrestricted	410,720	(126,268)	(1,339,305)	123,109	(931,744)
	<u>410,720</u>	<u>(126,268)</u>	<u>(1,339,305)</u>	<u>123,109</u>	<u>(931,744)</u>
TOTAL NET ASSETS	<u>\$ 410,720</u>	<u>\$ 176,589</u>	<u>\$ 591,293</u>	<u>\$ 123,109</u>	<u>\$ 1,301,711</u>
					\$ 1,338,912

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals
				2005	2004
REVENUES:					
Operating revenues:					
Charges for services	\$ -	\$ 252,491	\$ 719,000	\$ 1,773,752	\$ 2,745,243
Contributions	2,951,413	-	-	-	2,951,413
Interest income	13,373	605	8,243	6,398	28,619
Reimbursements	64,561	-	-	-	64,561
					39,318
Total operating revenues	3,029,347	253,096	727,243	1,780,150	5,789,836
					5,687,921
EXPENSES:					
Operating expenses:					
Personnel services	3,021,574	9,771	101,031	1,774,405	4,906,781
Other services and charges	4,713	180,044	389,448	2,740	576,945
Depreciation	-	102,199	208,315	-	310,514
Interest expense	-	-	32,797	-	32,797
					31,939
Total operating expenses	3,026,287	292,014	731,591	1,777,145	5,827,037
					5,653,542
OPERATING INCOME (LOSS)	3,060	(38,918)	(4,348)	3,005	(37,201)
					34,379
NONOPERATING REVENUES:					
CHANGE IN NET ASSETS	3,060	(38,918)	(4,348)	3,005	(37,201)
					34,379
NET ASSETS, BEGINNING OF YEAR	407,660	215,507	595,641	120,104	1,338,912
					1,304,533
NET ASSETS, END OF YEAR	\$ 410,720	\$ 176,589	\$ 591,293	\$ 123,109	\$ 1,301,711
					\$ 1,338,912

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals	
					2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from fees and charges for services	\$ 2,814,728	\$ 301,907	\$ 719,000	\$ 1,669,949	\$ 5,505,584	\$ 5,032,639
Interest received	13,373	605	8,243	6,399	28,620	10,613
Other operating expenses	(3,105,175)	(120,276)	(768,708)	(1,955,529)	(5,949,688)	(4,868,743)
Interest paid	-	-	(32,797)	-	(32,797)	(31,939)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(277,074)	182,236	(74,262)	(279,181)	(448,281)	142,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Net cash provided (used) to finance accrued vacation and vested sick leave	35,493	-	-	-	35,493	7,493
NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES	35,493	-	-	-	35,493	7,493
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	-	(202,883)	(3,800)	-	(206,683)	(94,418)
Proceeds from sale of assets	-	-	-	-	-	-
Proceeds on notes	-	-	-	-	-	-
Principal payments on debt	-	-	(40,643)	-	(40,643)	(40,766)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	(202,883)	(44,443)	-	(247,326)	(135,184)
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Increase) in restricted assets	(7,258)	-	-	-	(7,258)	(1,128)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(7,258)	-	-	-	(7,258)	(1,128)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(248,839)	(20,647)	(118,705)	(279,181)	(667,372)	13,751
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	405,604	27,508	401,939	386,949	1,222,000	1,208,249
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 156,765	\$ 6,861	\$ 283,234	\$ 107,768	\$ 554,628	\$ 1,222,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 3,060	\$ (38,918)	\$ (4,348)	\$ 3,005	\$ (37,201)	\$ 34,379
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	-	102,199	208,315	-	310,514	299,839
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	1,907	-	-	-	1,907	(1,587)
(Increase) decrease in due from other funds	(203,153)	49,416	-	(103,803)	(257,540)	(643,082)
(Increase) decrease in prepaid expenses	-	(1,440)	(832)	-	(2,272)	-
Increase (decrease) in due to other funds	103,803	131,767	(284,727)	(175,000)	(224,157)	215,322
Increase (decrease) in due to employees	(10,043)	-	-	-	(10,043)	(81,505)
Increase (decrease) in accounts payable	(172,648)	(60,788)	7,330	-	(226,106)	224,125
Increase (decrease) in deferred revenue	-	-	-	-	-	-
Increase (decrease) in claims payable	-	-	-	(3,383)	(3,383)	95,079
TOTAL ADJUSTMENTS	(280,134)	221,154	(69,914)	(282,186)	(411,080)	108,191
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (277,074)	\$ 182,236	\$ (74,262)	\$ (279,181)	\$ (448,281)	\$ 142,570

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF NET ASSETS
September 30, 2005
With comparative amounts at September 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 156,765	\$ 405,604
Accounts receivable	30	1,937
Due from other funds	<u>803,333</u>	<u>600,180</u>
Total current assets	<u>960,128</u>	<u>1,007,721</u>
Restricted assets:		
Cash and cash equivalents	<u>464,441</u>	<u>457,183</u>
TOTAL ASSETS	<u>1,424,569</u>	<u>1,464,904</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	68,312	240,960
Due to other funds	495,205	391,402
Accrued vacation and vested sick leave	433,717	398,224
Due to employees	<u>16,615</u>	<u>26,658</u>
Total current liabilities	<u>1,013,849</u>	<u>1,057,244</u>
NET ASSETS:		
Unrestricted	<u>410,720</u>	<u>407,660</u>
TOTAL NET ASSETS	<u>\$ 410,720</u>	<u>\$ 407,660</u>

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES:		
Operating revenues:		
Contributions	\$ 2,951,413	\$ 2,991,734
Interest income	13,373	5,057
Reimbursements	<u>64,561</u>	<u>39,318</u>
Total operating revenues	<u>3,029,347</u>	<u>3,036,109</u>
EXPENSES:		
Operating expenses:		
Personnel services	3,021,574	3,010,608
Other services and charges	<u>4,713</u>	<u>3,889</u>
Total operating expenses	<u>3,026,287</u>	<u>3,014,497</u>
OPERATING INCOME (LOSS)	3,060	21,612
NET ASSETS, BEGINNING OF YEAR	<u>407,660</u>	<u>386,048</u>
NET ASSETS, END OF YEAR	<u>\$ 410,720</u>	<u>\$ 407,660</u>

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 2,814,728	\$ 2,674,219
Interest received	13,373	5,057
Other operating expenses	<u>(3,105,175)</u>	<u>(2,622,440)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(277,074)</u>	<u>56,836</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net cash provided to finance accrued vacation and vested sick leave	<u>35,493</u>	<u>7,493</u>
NET CASH PROVIDED FOR NONCAPITAL FINANCING ACTIVITIES	<u>35,493</u>	<u>7,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) in restricted assets	<u>(7,258)</u>	<u>(1,128)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(7,258)</u>	<u>(1,128)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(248,839)	63,201
Cash and cash equivalents, beginning of year	<u>405,604</u>	<u>342,403</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 156,765</u>	<u>\$ 405,604</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 3,060</u>	<u>\$ 21,612</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	1,907	(1,704)
(Increase) decrease in due from other funds	(203,153)	(355,129)
Increase (decrease) in due to employees	(10,043)	(81,505)
Increase (decrease) in due to other funds	103,803	254,826
Increase (decrease) in accounts payable	<u>(172,648)</u>	<u>218,736</u>
TOTAL ADJUSTMENTS	<u>(280,134)</u>	<u>35,224</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (277,074)</u>	<u>\$ 56,836</u>

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF NET ASSETS
September 30, 2005
With comparative amounts at September 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 6,861	\$ 27,508
Due from other funds	-	49,416
Prepaid expenses	<u>1,440</u>	<u>-</u>
Total current assets	<u>8,301</u>	<u>76,924</u>
Capital assets:		
Vehicles	915,019	1,028,087
Less accumulated depreciation	<u>(612,162)</u>	<u>(825,914)</u>
Total capital assets	<u>302,857</u>	<u>202,173</u>
TOTAL ASSETS	<u>311,158</u>	<u>279,097</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	2,802	63,590
Due to other funds	<u>131,767</u>	<u>-</u>
Total current liabilities	<u>134,569</u>	<u>63,590</u>
NET ASSETS:		
Invested in capital assets	302,857	202,173
Unrestricted	<u>(126,268)</u>	<u>13,334</u>
TOTAL NET ASSETS	<u>\$ 176,589</u>	<u>\$ 215,507</u>

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 252,491	\$ 216,335
Interest income	<u>605</u>	<u>412</u>
Total operating revenues	<u>253,096</u>	<u>216,747</u>
EXPENSES:		
Operating expenses:		
Personnel services	9,771	15,685
Other services and charges	180,044	174,320
Depreciation	<u>102,199</u>	<u>91,497</u>
Total operating expenses	<u>292,014</u>	<u>281,502</u>
OPERATING INCOME (LOSS)	(38,918)	(64,755)
NET ASSETS, BEGINNING OF YEAR	<u>215,507</u>	<u>280,262</u>
NET ASSETS, END OF YEAR	<u>\$ 176,589</u>	<u>\$ 215,507</u>

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 301,907	\$ 183,248
Interest received	605	412
Other operating expenses	(120,276)	(195,348)
Interest paid	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>182,236</u>	<u>(11,688)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(202,883)	(94,418)
Principal payment on debt	-	-
Contributed capital	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(202,883)</u>	<u>(94,418)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,647)	(106,106)
Cash and cash equivalents, beginning of year	<u>27,508</u>	<u>133,614</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,861</u>	<u>\$ 27,508</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (38,918)</u>	<u>\$ (64,755)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	102,199	91,497
Change in assets and liabilities:		
(Increase) decrease in due from other funds	49,416	(33,127)
(Increase) decrease in accounts receivable	-	40
(Increase) decrease in prepaid expenses	(1,440)	-
Increase (decrease) in accounts payable	(60,788)	(5,343)
Increase (decrease) in due to other funds	<u>131,767</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>221,154</u>	<u>53,067</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 182,236</u>	<u>\$ (11,688)</u>

Copper Country Community Mental Health Services Board
BUILDINGS AND GROUNDS FUND
STATEMENT OF NET ASSETS
September 30, 2005
With comparative amounts at September 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 283,234	\$ 401,939
Prepaid expenses	<u>832</u>	<u>-</u>
Total current assets	<u>284,066</u>	<u>401,939</u>
Capital assets:		
Land	350,498	350,498
Construction in progress	4,550	750
Land improvements	53,587	53,587
Buildings and buildings improvements	4,749,604	4,749,604
Less accumulated depreciation	<u>(2,576,149)</u>	<u>(2,367,834)</u>
Total capital assets	<u>2,582,090</u>	<u>2,786,605</u>
TOTAL ASSETS	<u>2,866,156</u>	<u>3,188,544</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	22,625	15,295
Current maturities of long-term debt	39,280	37,424
Due to other funds	<u>1,600,746</u>	<u>1,885,473</u>
Total current liabilities	<u>1,662,651</u>	<u>1,938,192</u>
Long-term liabilities:		
Notes payable	<u>612,212</u>	<u>654,711</u>
TOTAL LIABILITIES	<u>2,274,863</u>	<u>2,592,903</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,930,598	2,094,470
Unrestricted	<u>(1,339,305)</u>	<u>(1,498,829)</u>
TOTAL NET ASSETS	<u>\$ 591,293</u>	<u>\$ 595,641</u>

Copper Country Community Mental Health Services Board
BUILDINGS AND GROUNDS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 719,000	\$ 728,100
Interest income	<u>8,243</u>	<u>3,173</u>
Total operating revenues	<u>727,243</u>	<u>731,273</u>
EXPENSES:		
Operating expenses:		
Personnel services	101,031	109,425
Other services and charges	389,448	334,074
Depreciation	208,315	208,342
Interest expense	<u>32,797</u>	<u>31,939</u>
Total operating expenses	<u>731,591</u>	<u>683,780</u>
OPERATING INCOME	(4,348)	47,493
NONOPERATING REVENUES:		
CHANGE IN NET ASSETS	(4,348)	47,493
NET ASSETS, BEGINNING OF YEAR	<u>595,641</u>	<u>548,148</u>
NET ASSETS, END OF YEAR	<u>\$ 591,293</u>	<u>\$ 595,641</u>

Copper Country Community Mental Health Services Board
BUILDINGS AND GROUNDS FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 719,000	\$ 728,177
Interest received	8,243	3,173
Other operating expenses	(768,708)	(572,271)
Interest paid	<u>(32,797)</u>	<u>(31,939)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(74,262)</u>	<u>127,140</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(3,800)	-
Proceeds from sale of assets	-	-
Proceeds on notes	-	-
Principal payments on debt	<u>(40,643)</u>	<u>(40,766)</u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(44,443)</u>	<u>(40,766)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(118,705)	86,374
Cash and cash equivalents, beginning of year	<u>401,939</u>	<u>315,565</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 283,234</u>	<u>\$ 401,939</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (4,348)</u>	<u>\$ 47,493</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	208,315	208,342
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	-	77
(Increase) decrease in due from other funds	-	-
(Increase) decrease in prepaid expenses	(832)	-
Increase (decrease) in due to other funds	(284,727)	(139,504)
Increase (decrease) in accounts payable	7,330	10,732
Increase (decrease) in deferred revenue	<u>-</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>(69,914)</u>	<u>79,647</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (74,262)</u>	<u>\$ 127,140</u>

Copper Country Community Mental Health Services Board
EMPLOYEE HEALTH BENEFITS FUND
STATEMENT OF NET ASSETS
September 30, 2005
With comparative amounts at September 30, 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 107,768	\$ 386,949
Due from other funds	<u>495,205</u>	<u>391,402</u>
TOTAL ASSETS	<u>602,973</u>	<u>778,351</u>
LIABILITIES:		
Current liabilities:		
Claims payable	479,864	483,247
Due to other funds	<u>-</u>	<u>175,000</u>
Total current liabilities	<u>479,864</u>	<u>658,247</u>
NET ASSETS:		
Unrestricted	<u>123,109</u>	<u>120,104</u>
TOTAL NET ASSETS	<u>\$ 123,109</u>	<u>\$ 120,104</u>

Copper Country Community Mental Health Services Board
EMPLOYEE HEALTH BENEFITS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 1,773,752	\$ 1,701,821
Interest income	<u>6,398</u>	<u>1,971</u>
Total operating revenues	<u>1,780,150</u>	<u>1,703,792</u>
EXPENSES:		
Operating expenses:		
Personnel services	1,774,405	1,671,339
Other services and charges	<u>2,740</u>	<u>2,424</u>
Total operating expenses	<u>1,777,145</u>	<u>1,673,763</u>
OPERATING INCOME (LOSS)	3,005	30,029
NET ASSETS, BEGINNING OF YEAR	<u>120,104</u>	<u>90,075</u>
NET ASSETS, END OF YEAR	<u>\$ 123,109</u>	<u>\$ 120,104</u>

Copper Country Community Mental Health Services Board
EMPLOYEE HEALTH BENEFITS FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2005
With comparative amounts for the year ended September 30, 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 1,669,949	\$ 1,446,995
Interest received	6,399	1,971
Other operating expenses	<u>(1,955,529)</u>	<u>(1,478,684)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(279,181)</u>	<u>(29,718)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(279,181)	(29,718)
Cash and cash equivalents, beginning of year	<u>386,949</u>	<u>416,667</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 107,768</u>	<u>\$ 386,949</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 3,005</u>	<u>\$ 30,029</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in due from other funds	(103,803)	(254,826)
Increase (decrease) in due to other funds	(175,000)	100,000
Increase (decrease) in claims payable	<u>(3,383)</u>	<u>95,079</u>
TOTAL ADJUSTMENTS	<u>(282,186)</u>	<u>(59,747)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (279,181)</u>	<u>\$ (29,718)</u>

Supplemental Reports



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board
Copper Country Community Mental
Health Services Board
Houghton, Michigan 49931

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2005, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Copper Country Community Mental Health Services Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances of noncompliance or other matters are reported in Note P of these financial statements and described in a separate letter to management dated December 14, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Copper Country Community Mental Health Services Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur.

Members of the Board
Copper Country Community Mental
Health Services Board

and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

December 14, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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MILWAUKEE

December 14, 2005

To the Members of the Board
Copper Country Community Mental
Health Services Board
Houghton, Michigan 49931

In planning and performing our audit of the financial statements of the Copper Country Community Mental Health Services Board for the year ended September 30, 2005, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

Instances of Non-Compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.

Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The Board was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote P.

To the Members of the Board
Copper Country Community Mental
Health Services Board

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This report is intended solely for the information and use of the Board's management, and others within the Administration.

We appreciate and would like to thank the Board's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants